

City of Alexandria, Virginia

MEMORANDUM

18
3-26-02

DATE: MARCH 19, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF RESOLUTION FROM THE LANDLORD-TENANT
RELATIONS BOARD REGARDING THE VOLUNTARY RENT GUIDELINES

ISSUE: City Council consideration of the Resolution from the Landlord-Tenant Relations Board regarding the Voluntary Rent Guidelines.

RECOMMENDATION: That City Council approve the attached Resolution (Attachment I) to maintain the City's Voluntary Rent Guidelines at 5% where the tenant pays utilities and 9% where the owner pays utilities, as recommended by the Landlord-Tenant Relations Board.

BACKGROUND: Since 1950, the Code of Virginia has prohibited localities from enacting rent control. However, for over 20 years, the City has encouraged landlords to limit rent increases in accordance with the City's Voluntary Rent Guidelines. The City's Voluntary Rent Guidelines are suggested maximum rent increases for existing tenants, but they provide no authority to the City to enforce the guidelines against landlords who fail to comply with them. In addition, these guidelines do not apply to new lease-up of a vacant unit.

If approved by City Council, the proposed Voluntary Rent Guidelines will remain in effect for at least the next six months. The Landlord-Tenant Relations Board reviews the guidelines every six months, and makes recommendations to City Council at least annually regarding the adequacy of the Voluntary Rent Guidelines. If significant market changes occur, the Landlord-Tenant Relations Board may recommend changes more frequently. The current guidelines, most recently reviewed by City Council in February 2001, increased at that time from 7.5% to 9% if the landlord pays utilities and remained at 5% if the tenant pays utilities.

In preparation for these recommendations, the Board considers increases to the operating cost data compiled by the Institute for Real Estate Management (IREM) as well as rent increase data and annual vacancy surveys by Delta Associates, a national real estate consulting firm. The Board also considers increases in market rents for the City. In addition, the Board reviews budgets prepared using rental property averages in Alexandria. In reviewing these data, the Landlord-Tenant Relations Board attempted to set the guidelines at a level which will account for inflation and property owners' increases in cost, without unduly burdening tenants.

DISCUSSION: Based on complaint information, staff estimated that in previous years approximately 1% of the City's landlords with properties of 10 or more units had failed to

comply with the Voluntary Rent Guidelines. However, noncompliance increased significantly over the past three years due to strong rental market conditions and increases in costs. Recognizing this increase in market rents and resulting noncompliance, last year the Landlord-Tenant Relations Board recommended increasing the Voluntary Rent Guidelines for landlords paying utilities to 9%. The percentage had been increased from 4.5% to 5% the previous year for properties with tenant paid utilities, and no further change was recommended for these properties.

Despite the increase in the guidelines, staff of the Office of Housing's Landlord-Tenant Relations Division occasionally receives complaints regarding rent increases that cannot be fully resolved. Some landlords have reported that renovations, increases in costs, and market conditions prevent compliance with the Voluntary Rent Guidelines. Other landlords have simply stated that current tenants pay rents far below the market rents for the units they occupy, and that it is, therefore, necessary to increase rents for those units. In some cases staff is able to negotiate with the landlord to reduce the rent increase, but the reduction does not necessarily bring the increase into compliance with the Voluntary Rent Guidelines.

The Landlord-Tenant Relations Board determined last year that in tight rental markets there is significant noncompliance on the part of landlords who had previously cooperated with the City in adhering to the guidelines. To address this issue, the Board determined that it would need to consider the reasons for noncompliance by landlords that had previously cooperated with the guidelines. The Landlord-Tenant Relations Board analyzed property operating costs, and the percent needed to counteract the effects of inflation and allow owners a reasonable return on their investment. To establish costs for the City, staff and the Board prepared property budgets based on average rents and expense percentages published by Delta Associates. Included in these budgets were anticipated increases in operating costs, utilities, labor costs, maintenance costs, unit turnover, and debt service, which were based on the CPI, tax increases estimated by the City Assessor's Office, and projections by utility companies. Separate budgets were prepared for properties with landlord-paid utilities and properties with tenant-paid utilities.

After reviewing this data the Board determined that the current annual increase is adequate, and allows the landlord a reasonable return after accounting for increased expenses. Unusual or capital improvements were not calculated by the Board in determining reasonable increase guidelines. The resolution adopting the Voluntary Rent Guidelines includes provisions which allow adjustments for unusual costs including capital improvements, major repairs or significant increases in taxes or assessments. At its March 6, 2002 meeting, the Landlord-Tenant Relations Board unanimously voted to recommend to City Council that the Voluntary Rent Guidelines remain at 9% for properties with owner/landlord paid utilities and 5% for properties where tenants pay utilities.

As long as Virginia law remains unchanged with regard to rent control, the City's rent guidelines will remain voluntary, and the City will be unable to mandate that rent increases be held to any recommended percentage. An act of the General Assembly would be required to allow the City to control rent increases.

STAFF:

Melodie Baron, Division Chief, Office of Housing

Robert Eiffert, Deputy Director, Office of Housing

Mildrilyn Stephens Davis, Director, Office of Housing

ATTACHMENTS:

Attachment I: 2002 Voluntary Rent Guidelines Resolution

2002 VOLUNTARY RENT GUIDELINES RESOLUTION
CITY OF ALEXANDRIA, VIRGINIA
RESOLUTION NO. _____

WHEREAS, more than half of the dwelling units in the City of Alexandria are renter-occupied; and

WHEREAS, the Alexandria City Council has continually expressed its concern for the well-being of the City's tenants and landlords through proposed charter changes, legislation, and establishment of the Landlord-Tenant Relations Board; and

WHEREAS, the Alexandria Landlord-Tenant Relations Board has previously expressed its concern to the City Council regarding excessive rent increases;

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Alexandria, Virginia calls upon the Alexandria Landlord-Tenant Relations Board to monitor and investigate complaints of rent increases in excess of the following guidelines and to conduct a review of the guidelines every six months and forward recommendations to Council at a minimum of every 12 months:

- If the tenants pay all utilities, not more than five percent cumulatively per year;
- If all utilities are included in the rental amount, not more than nine percent cumulatively per year;

PROVIDED, however, that Board investigators will recognize and take into account any unusual costs, capital improvements and major repairs to the property (which should be substantiated by the owner), and extraordinary increases (more than 50%) in assessments;

PROVIDED, further, that the landlord may apportion increased real estate taxes in an equitable manner;

PROVIDED, further, that when a landlord converts utilities to a sub-metered or individually metered system, the amounts of monthly rents, plus annualized utility costs, shall remain within these guidelines.

BE IT FURTHER RESOLVED that the Landlord-Tenant Relations Board will report to City Council on the adequacy of the above guidelines in 2003.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Alexandria to be affixed this 26th day of March, 2002.

ADOPTED:

KERRY J. DONLEY MAYOR
On behalf of the City Council
of Alexandria, Virginia

ATTEST:

Beverly I. Jett, CMC City Clerk

RESOLUTION NO. 2023

WHEREAS, more than half of the dwelling units in the City of Alexandria are renter-occupied; and

WHEREAS, the Alexandria City Council has continually expressed its concern for the well-being of the City's tenants and landlords through proposed charter changes, legislation, and establishment of the Landlord-Tenant Relations Board; and

WHEREAS, the Alexandria Landlord-Tenant Relations Board has previously expressed its concern to the City Council regarding excessive rent increases;

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Alexandria, Virginia, calls upon the Alexandria Landlord-Tenant Relations Board to monitor and investigate complaints of rent increases in excess of the following guidelines and to conduct a review of the guidelines every six months and forward recommendations to Council at a minimum of every 12 months:

-- If the tenants pay all utilities, not more than five percent cumulatively per year;

-- If all utilities are included in the rental amount, not more than nine percent cumulatively per year;

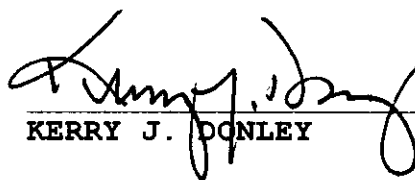
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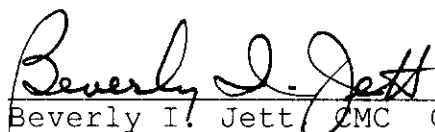
PROVIDED, further, that when a landlord converts utilities to a sub-metered or individually metered system, the amounts of monthly rents, plus annualized utility costs, shall remain within these guidelines;

BE IT FURTHER RESOLVED that the Landlord-Tenant Relations Board will report to City Council on the adequacy of the above guidelines in 2003.

Adopted: March 26, 2002


KERRY J. DONLEY MAYOR

ATTEST:


Beverly I. Jett CMC City Clerk